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TO RUEHBO/AMEMBASSY BOGOTA IMMEDIATE 5619  
RUEHCV/AMEMBASSY CARACAS IMMEDIATE 1740  
RUEHLP/AMEMBASSY LA PAZ MAY 9824  
RUEHPE/AMEMBASSY LIMA IMMEDIATE 0589  
RUEHGL/AMCONSUL GUAYAQUIL IMMEDIATE 0474  
RUEHC/SECSTATE WASHDC IMMEDIATE 4360  
INFO RHMFISS/HQ USSOUTHCOM MIAMI FL

C O N F I D E N T I A L QUITO 001249

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PLEASE PASS TO USOAS

E.O. 12958: DECL: 05/17/2016  
TAGS: [PGOV](#) [OAS](#) [ETRD](#) [PREL](#) [EC](#)  
SUBJECT: OXY DEMARCHE DELIVERED--FM REJECTS GOE SHIFT  
TOWARD CHAVEZ

REF: SECSTATE 81565

Classified By: PolChief Erik Hall for reasons 1.4 (b&d)

This is an action request for WHA and USOAS. See para 4.

11. (C) Summary: The Ambassador conveyed USG regret (per instructions RefTel) over the GOE decision against Occidental Petroleum (Oxy) to FM Francisco Carrion on May 22. Carrion said he would convey the U.S. position to President Palacio later the same day. Carrion rejected press speculation that the Oxy decision represented a GOE shift toward Venezuela and Bolivia, and said the GOE was working hard to resolve other commercial disputes involving U.S. companies to signal its commitment to the bilateral commercial relationship. The Ambassador encouraged speedy resolution of these disputes as well as the Oxy international arbitration, if Ecuador hopes to attract future U.S. investment. Carrion also requested a meeting with the head of USDel to the upcoming OAS General Assembly meeting. End Summary.

12. (C) Carrion was joined by VFM Diego Ribadeneria in the meeting requested by us. Per RefTel, the Ambassador expressed to Carrion the points included in RefTel.

Carrion's Response:

13. (C) Carrion took pains to reject press speculation that the decision against Oxy represented a strategic shift by the GOE toward the governments of Venezuela or Bolivia. The Oxy decision, he said, had no such link to external factors, and was based purely on domestic Ecuadorian legal requirements. After hearing from the Ambassador the possible consequences of the Oxy decision, Carrion asked whether the USG also planned to review OPIC projects, vote against Ecuadorian projects in the IFIs, or terminate ATPDEA benefits before they expire in December. The Ambassador said she did not have instructions on these issues, but urged speedy resolution of the Oxy compensation claim and other outstanding commercial disputes. Carrion said that he personally and the GOE generally were "working hard" to resolve other pending commercial disputes involving other U.S. companies, including Machala Power, City Oriente oil company, and Duke Energy. The Ambassador encouraged concrete settlements of these disputes, which also involve compensation.

Comment

14. (C) We expect Carrion to faithfully convey the substance of the USG reaction to President Palacio. We are hopeful that the potential costs to the GOE are beginning to sink in.

Although there is little or no chance of a policy reversal by the GOE on the Oxy caducity issue, that realization could lead the GOE to seek resolution of unrelated commercial disputes, and probably prompted Carrion's pre-emptive rejection of a supposed Ecuador-Venezuela-Bolivia axis. Please advise whether USDel will accept Carrion's request for a bilateral meeting at the OAS General Assembly.

JEWELL